

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
June 30, 2014**

Table of Contents

	<u>Page</u>
Board of Education and School District Officials	2
Independent Auditor's Report	3-4
Management's Discussion and Analysis (MD&A)	5-12
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Net Position	A 14
Statement of Activities	B 15-16
Governmental Fund Financial Statements:	
Balance Sheet	C 17
Reconciliation of the Balance Sheet -	
Governmental Funds to the Statement of Net Position	D 18
Statement of Revenues, Expenditures and Changes in Fund Balances	E 19
Reconciliation of the Statement of Revenues, Expenditures and Changes	
in Fund Balances - Governmental Funds To the Statement of Activities	F 20
Proprietary Fund Financial Statements:	
Statement of Net Position	G 21
Statement of Revenues, Expenses and Changes in Fund Net Position	H 22
Statement of Cash Flows	I 23
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Position	J 24
Statement of Changes in Fiduciary Net Position	K 25
Notes to Financial Statements	26-35
Required Supplementary Information:	
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances –	
Budget and Actual - All Governmental Funds and Proprietary Fund	37
Notes to Required Supplementary Information - Budgetary Reporting	38
Schedule of Funding Progress for the Retiree Health Plan	39
Supplementary Information:	<u>Schedule</u>
Non-major Governmental Funds:	
Combining Balance Sheet	1 41
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2 42
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3 43-44
Capital Project Accounts:	
Combining Balance Sheet	4 45
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	5 46
Schedule of Changes in Fiduciary Assets and Liabilities – Agency Fund	6 47
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	7 48
Independent Auditor's Report on Internal Control over Financial Reporting and on	
Compliance and Other Matters Based on an Audit of Financial Statements	
Performed in Accordance with <i>Government Auditing Standards</i>	49-50
Schedule of Findings	51-52

**North Mahaska Community School District
Board of Education and School District Officials
Year ended June 30, 2014**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2013 Election)		
Dirk Wilkin	President	2015
Jeani Phillips	Vice President	2013
Dan Gruber	Board Member	2013
Tina Layman	Board Member	2015
Sherrill Strobel	Board Member	2015
(After September 2013 Election)		
Dirk Wilkin	President	2015
Tina Layman	Vice President	2015
Sherrill Strobel	Board Member	2015
Ryan Augustine	Board Member	2017
Dan Gruber	Board Member	2017
School District Officials		
Randy Moffit	Superintendent	2014
Cindy Quang	District Secretary/Treasurer	2014
Andrew Bracken	Attorney	Indefinite



705 Main Street
Pella, IA 50219
Ph.: 641-628-3737
Fax: 641-628-3757

www.vanmaanencpa.com

Van Maanen, Sietstra, Meyer & Nikkel, PC
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Education
North Mahaska Community School District
New Sharon, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the North Mahaska Community School District, New Sharon, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the North Mahaska Community School District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 12 and 37 through 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the North Mahaska Community School District's basic financial statements. Another CPA firm previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the four years ending June 30, 2008 and we audited the financial statements for the five years ended June 30, 2013, (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Governmental Auditing Standards*, we have also issued our report dated December 19, 2014, on our consideration of the North Mahaska Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North Mahaska Community School District's internal control over financial reporting and compliance.

Van Maanen, Sietstra, Meyer & Nikkel PC

Van Maanen, Sietstra, Meyer & Nikkel, PC
Certified Public Accountants

December 19, 2014

**North Mahaska Community School District
Management's Discussion and Analysis
For the Year Ended June 30, 2014**

This section of the North Mahaska Community School District's financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2014. The analysis focuses on school district financial performance as a whole. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

- The General Fund June 30, 2014 balance increased to \$812,320 from the June 30, 2013 fund balance of \$541,455. The increase resulted from cash reserve levies for special education expenditures.
- The District's tax levy was raised from \$11.60 in 2013-14 to \$12.78 in 2014-15 due primarily to the higher cash reserve levy amount. The tax levy remained low compared to many districts in Iowa. SILO funds that were used to lower the tax rate required to pay debt service requirements continues to keep property taxes lower. In 2011, the debt was refinanced for a savings of over \$60,000 to the district. An instructional support levy was passed by the board and will go into effect in the 2015-16 school year.
- Special education posted a negative balance for 2012-2013 due to additional costs of identified students. A cash reserve was levied to make up the negative balance. The total amount of this cash reserve levy was \$308,000 to be collected in the 2014-15 school year.
- The district experienced a large enrollment decrease of 42.7 students from the previous year. The district will utilize the 101% budget guarantee in 2014-15 but will experience a sharp budget decrease the following year in 2015-16. The instructional support levy will help offset this loss of enrollment and its consequences on the budget.
- The capital project funds were used for construction projects including the electronic road sign, a new bell and clock system, a new boiler, and the new parking area on the south side of the building. Because of the debt refinancing and lower payments for debt service, a larger portion of the SILO funds are available for other projects including a one-to-one computer lap top program, buses, and equipment.

• Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements (district-wide and fund statements) including notes to the financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The statement of net assets and statement of activities provide information on a district-wide basis. The statements present an aggregate view of the District's finances. District-wide statements contain useful long-term information as well as information for the just-completed fiscal year.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- Proprietary funds statements offer short- and long- term financial information about the activities the District operates like businesses, such as food services.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

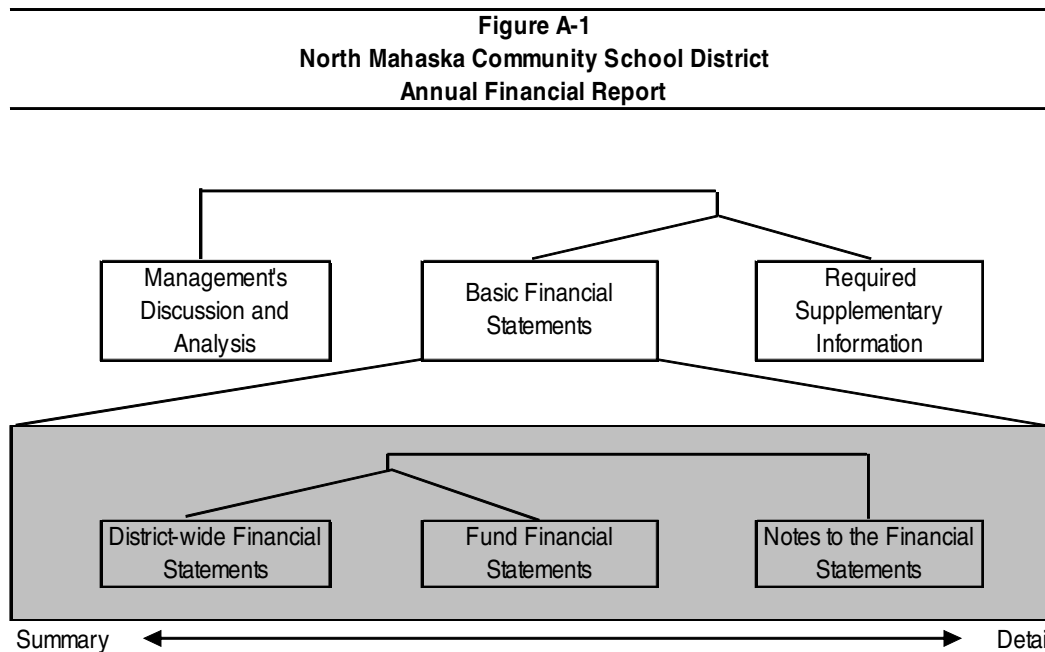


Figure A-2 summarizes the major features of the District's financial statements, including a portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2 Major Features of the District-Wide and Fund Financial Statements				
	District-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required Financial Statements	> Statement of Net Position > Statement of activities	> Balance Sheet > Statement of revenues, expenditures, and changes in fund balances	> Statement of Net Position > Statement of revenues, expenses and changes in fund Net Position > Statement of cash flows	> Statement of fiduciary Net Position > Statement of changes in fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

District-Wide Financial Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those provided by private sector companies. The statement of net assets includes all of the District's net assets and how they have changed. Net assets, the difference between the District's assets and liabilities, are one way to measure the District's overall financial position. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall financial condition of the District additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities should be considered.

In the District-wide financial statements, the District's activities are divided into two categories:

- Governmental activities: Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state aid finance most of these activities.
- Business-type activities: The District charges fees to help it cover the costs of certain services it provides. The District's food service program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

The District has three kinds of funds:

- Governmental funds: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash, and other financial assets that can readily be converted to cash, flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.
- Proprietary funds: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements. The District's enterprise funds (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. Internal service funds, (the other kind of proprietary fund) are optional and available to report activities that provide supplies and services for other District programs and activities.
- Fiduciary funds: The District is the trustee, of fiduciary, for assets that belong to others, such as a scholarship fund. The District accounts for outside donations to specific District schools for specific purposes in this fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

**North Mahaska Community School District
Management's Discussion and Analysis
For the Year Ended June 30, 2014**

- Private-Purpose Trust Fund – The District accounts for outside donations for Scholarships for individual students in this fund.
- Agency Funds: These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for the District employee purchases. The District has only one Agency Fund which holds the employee funds contributed by employees through payroll for use in the medical and dependent care flexible spending program.

Government-wide Financial Analysis

Figure A-3 below provides a summary of the District's net assets at June 30, 2014 compared to June 30, 2013.

Figure A-3							
Condensed Statement of Net Position							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-2014
Current and other assets	\$ 5,557,993	4,572,673	60,724	65,180	5,618,717	4,637,853	21.1%
Capital assets	5,388,287	5,368,942	18,324	10,503	5,406,611	5,379,445	0.5%
Total assets	10,946,280	9,941,615	79,048	75,683	11,025,328	10,017,298	10.1%
Long-term liabilities	669,559	852,350	6,497	6,137	676,056	858,487	-21.3%
Other liabilities	3,204,430	2,546,390	-	32,230	3,204,430	2,578,620	24.3%
Total liabilities	3,873,989	3,398,740	6,497	38,367	3,880,486	3,437,107	12.9%
Net Position:							
Invested in capital assets, net of related debt	4,865,302	4,649,361	18,324	10,503	4,883,626	4,659,864	4.8%
Restricted	1,721,522	1,619,226	-	-	1,721,522	1,619,226	6.3%
Unrestricted	485,467	274,288	54,227	26,813	539,694	301,101	79.2%
Total Net Position	\$ 7,072,291	6,542,875	72,551	37,316	7,144,842	6,580,191	8.6%

**North Mahaska Community School District
Management's Discussion and Analysis
For the Year Ended June 30, 2014**

Figure A-4 shows the changes in net assets for the year ended June 30, 2014 compared to June 30, 2013.

Figure A-4							
Changes in Net Position							
	Governmental Activities		Business type Activities		Total District		Total Change
	Year ended June 30,		Year ended June 30,		Year ended June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-2014
Revenues:							
Program revenues:							
Charges for service	\$ 774,980	696,097	141,481	129,363	916,461	825,460	11.0%
Operating grants, contributions and restricted interest	929,756	849,733	130,129	136,896	1,059,885	986,629	7.4%
Capital grants and contributions	-	-	8,075	-	8,075	-	-
General revenues:							
Property tax	2,343,236	2,384,343	-	-	2,343,236	2,384,343	-1.7%
Local option sales and service tax	648,960	596,246	-	-	648,960	596,246	8.8%
Unrestricted state grants	2,146,383	1,936,397	-	-	2,146,383	1,936,397	10.8%
Unrestricted investment earnings	199	404	1,041	5	1,240	409	203.2%
Other	55,334	80,442	-	-	55,334	80,442	-31.2%
Total revenues	6,898,848	6,543,662	280,726	266,264	7,179,574	6,809,926	5.4%
Program expenses:							
Governmental activities:							
Instruction	4,341,838	4,175,969	-	-	4,341,838	4,175,969	4.0%
Support services	1,538,764	1,772,343	-	-	1,538,764	1,772,343	-13.2%
Non-instructional programs	-	5,850	245,491	268,257	245,491	274,107	-10.4%
Other expenses	488,830	439,356	-	-	488,830	439,356	11.3%
Total expenses	6,369,432	6,393,518	245,491	268,257	6,614,923	6,661,775	-0.7%
Change in Net Position	\$ 529,416	150,144	35,235	(1,993)	564,651	148,151	281.1%

Figure A-5 presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs, and other expenses for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-5						
Total and Net Cost of Governmental Activities						
	Total Cost of Services		Change 2013-2014	Net Cost of Services		Change 2013-2014
	2014	2013		2014	2013	
Instruction	\$ 4,341,838	4,175,969	4.0%	2,858,038	2,838,479	0.7%
Support services	1,538,764	1,772,343	-13.2%	1,531,404	1,761,642	-13.1%
Non-instructional programs	-	5,850	-100.0%	-	5,850	-100.0%
Other expenses	488,830	439,356	11.3%	275,254	241,717	13.9%
Totals	\$ 6,369,432	6,393,518	-0.4%	4,664,696	4,847,688	-3.8%

Governmental Activities

The District saw an increase in total net assets of \$529,416. The increase was due to the recovery of lost funding through the cash reserve levy, maintaining capital asset levels while debt balances have decreased, maintenance of positive open enrollment revenues, and the collection of local option sales and service tax monies.

Business Type Activities

Revenues for business type activities were \$280,726 and expenses were \$245,491. Net assets increased \$35,235 from \$37,316 to \$72,551. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal, and state reimbursements and investment income. The increase was due to late payment of salaries and fixed costs after June 30.

Individual Fund Analysis

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$2,359,286 which is \$324,848 more than the balance of \$2,034,438 at the beginning of the year.

The individual fund analysis basically goes through each of the major school funds and tries to put in simple terms where they are and where we may want to go with them during the coming year. Please keep in mind that it is a snap shot picture of finances on June 30 of each year. The figures represent our modified accrual position on June 30, 2014, compared with where we were on June 30, 2013. You can find these figures in the year-end reports on expenditures, revenues, and fund balances. North Mahaska Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Fund Highlights

General Operating Fund

In the General Fund, we had revenues and other financing sources of \$5,680,479. We had expenditures and other financing uses of \$5,409,614. Therefore, we ended the year \$207,865 in the black. We started the year with a balance of \$541,455, so we ended the year with a balance of \$812,320. The increase was due predominantly to the cash reserve levy recovering the negative special education balance from the previous year.

Management Fund

In the Management Fund, we had expenditures of \$170,463 and revenues of \$144,896 meaning we spent \$25,567 more than we received. Because we started the year with \$171,895, we ended the year with a balance of \$146,328. Approximately \$190,000 will be added to this fund through the Management Levy passed for the 2014-15 budget. The fund is now used for the early retirement program, insurance premiums and unemployment claims. Money from this fund can be spent on insurance (other than employee health), tort liability claims, unemployment claims, and qualifying early retirement payments

Physical Plant and Equipment Levy (PPEL)

In PPEL we had expenditures of \$23,278 and revenues of \$66,925 meaning we were \$43,647 in the black. Since we started the year with \$98,828, we finished with a balance of \$142,475. A new small vehicle was the only purchase made in 2013-14. We will continue to use PPEL to purchase school buses and small vehicles. It will also be used to replace the boiler in the high school.

Capital Projects

We started the year with a balance of \$1,136,854 in all capital projects funds. We had expenditures of \$656,579 and revenues of \$718,678. The balance is now \$1,198,953. (an increase of \$62,099). The debt service is now being paid totally by one-cent sales tax funding. No taxes are being assessed to retire the debt. Since payments on the debt are lower than previous years, capital projects funds are available on a larger scale for projects. A lap top computer program was started in the fall of 2012 using these funds. The south parking lot was expanded and several building improvements and equipment additions have been made.

**North Mahaska Community School District
Management's Discussion and Analysis
For the Year Ended June 30, 2014**

Activity Fund

The activity fund is a conglomerate of many different minor funds from athletics and music to class treasuries. The fund is in good condition over all. The beginning balance was \$184,234. At the end of the year, it was \$201,685. The balance can fluctuate quite a bit depending on what projects are going on and when money is being paid out. This is not a fund in which you are trying to make money, but you like to keep a healthy balance to cover cash flow during the year. Most of the accounts are revolving in nature in that organizations use them for their activities. In the athletic part of the budget, some sports ran in the red, but others ran in the black.

Proprietary Fund Highlights

Nutrition Fund

The nutrition fund started the year with a balance of \$37,316. Revenues for the year totaled \$280,726 while expenditures totaled \$245,491 leaving a balance of \$72,551 - a difference of \$35,235 in the black. This account has been doing well and supporting itself. Prices were increased for 2012-13 and again for 2013-14 as required by the federal and state governments. The large increase in the balance was due to final payroll payments being made after June 30 instead of before June 30. In a fair comparison to previous years, the final balance would be lower by about \$14,000. So the year-end balance has been stable. The cash balance was \$54,359.

Budgetary Highlights

Total expenditures were less than budgeted. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

Capital Assets and Debt Administration

Capital Assets

On June 30, 2014, the District had invested \$5,406,611, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment, and transportation equipment. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$287,789.

The original cost of the District's capital assets was \$9,444,147. Of this amount \$187,446 was in the Proprietary, School Lunch Fund.

Figure A-6							
Capital Assets, net of Depreciation							
	Governmental		Business type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-2014
Land	\$ 95,250	95,250	-	-	95,250	95,250	0.0%
Buildings	4,413,307	4,502,730	-	-	4,413,307	4,502,730	-2.0%
Improvements other than buildings	402,723	311,120	-	-	402,723	311,120	29.4%
Furniture and equipment	477,007	459,842	18,324	10,503	495,331	470,345	5.3%
Totals	\$5,388,287	5,368,942	18,324	10,503	5,406,611	5,379,445	0.5%

Long-Term Debt

On June 30, 2014, the District had \$315,000 in general obligation bonds. This represents a decrease of approximately 24% from the previous year. Additional information about the District's long-term debt is presented in Note 5 to the financial statements. Refinancing of the district bonds resulted in a savings of over \$60,000 for the life of the bonds. Future bond payments will run through 2017 and will be paid entirely by one-cent options sales tax funds.

Figure A-7			
Outstanding Long-Term Obligations			
	Total District June 30,		Total Change June 30,
	2014	2013	2013-2014
General obligation bonds	\$ 315,000	415,000	-24.1%
Bond premium, net	3,986	5,980	-
Bond discount, net	(2,235)	(3,353)	-
Capital lease	206,234	304,581	-32.3%
Early retirement	23,500	11,250	108.9%
Compensated absences	11,004	13,029	-15.5%
Other postemployment benefit	112,070	105,863	5.9%
Totals	<u>\$ 669,559</u>	<u>852,350</u>	<u>-21.4%</u>

Factors Bearing on the District's Future

The district remains in sound financial condition. The one cent option sales tax (SILO) will continue to be a big help for many projects with a smaller amount required to retire the debt. Decreasing enrollment will continue to deplete the general fund. In 2010-11 the district had a slight increase in enrollment and recovered lost funding through the cash reserve levy. In 2011-12 funding was again restored with a cash reserve levy. This has stabilized finances, however, 42-student decrease in enrollment in 2013-14 will put a strain on the budget again, particularly if followed by further projected decreases. An instructional support levy can help to cushion the expected shortfall. The SILO revenues can help with authorized purchases but is very limited in the type of expenditures allowed. Special education deficits continue to be high. All of these factors will keep the district in a tight budgeting environment.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the district's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Cindy Quang, Business Manager, or Randy Moffit, Superintendent, North Mahaska Community School, P.O. Box 89, New Sharon, Iowa 50207.

Basic Financial Statements

North Mahaska Community School District
Statement of Net Position
June 30, 2014

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents	\$ 2,381,758	54,359	2,436,117
Receivables:			
Property tax:			
Delinquent	22,053	-	22,053
Succeeding year	2,702,311	-	2,702,311
Accounts	51,897	-	51,897
Due from other governments	399,974	-	399,974
Inventories	-	6,365	6,365
Capital assets, net of accumulated depreciation	5,388,287	18,324	5,406,611
Total assets	10,946,280	79,048	11,025,328
Liabilities			
Accounts payable	122,681	-	122,681
Excess of warrants issued over bank balance	354,745	-	354,745
Salaries and benefits payable	18,970	-	18,970
Accrued interest payable	5,723	-	5,723
Long-term liabilities:			
Portion due within one year:			
Early retirement	10,000	-	10,000
General obligation bonds payable	110,000	-	110,000
Obligations under capital lease	101,493	-	101,493
Compensated absences	11,004	-	11,004
Portion due after one year:			
Early retirement	13,500	-	13,500
General obligation bonds payable	206,751	-	206,751
Obligations under capital lease	104,741	-	104,741
Net OPEB liability	112,070	6,497	118,567
Total liabilities	1,171,678	6,497	1,178,175
Deferred Inflows of Resources			
Unavailable property tax revenue	2,702,311	-	2,702,311
Net Position			
Net investment in capital assets	4,865,302	18,324	4,883,626
Restricted for:			
Management levy purposes	146,328	-	146,328
Physical plant and equipment	142,475	-	142,475
Capital projects	1,056,478	-	1,056,478
Student activities	201,685	-	201,685
Categorical funding	174,556	-	174,556
Unrestricted	485,467	54,227	539,694
Total net position	\$ 7,072,291	72,551	7,144,842

See notes to financial statements.

North Mahaska Community School District
Statement of Activities
Year ended June 30, 2014

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants and Contributions	Governmental Activities	Business type Activities	Total
Governmental activities:							
Instruction:							
Regular	\$ 2,780,629	337,979	556,769	-	(1,885,881)	-	(1,885,881)
Special	867,489	82,273	141,763	-	(643,453)	-	(643,453)
Other	693,720	354,728	10,288	-	(328,704)	-	(328,704)
	4,341,838	774,980	708,820	-	(2,858,038)	-	(2,858,038)
Support Service:							
Student	102,985	-	-	-	(102,985)	-	(102,985)
Instructional staff	164,085	-	-	-	(164,085)	-	(164,085)
Administration	564,631	-	-	-	(564,631)	-	(564,631)
Operating and maintenance of plant	377,610	-	-	-	(377,610)	-	(377,610)
Transportation	329,453	-	7,360	-	(322,093)	-	(322,093)
	1,538,764	-	7,360	-	(1,531,404)	-	(1,531,404)
Other expenditures:							
Facilities acquisition	97,080	-	-	-	(97,080)	-	-
Long-term debt interest	16,880	-	-	-	(16,880)	-	(16,880)
AEA flowthrough	213,576	-	213,576	-	-	-	-
Depreciation (unallocated)*	161,294	-	-	-	(161,294)	-	(161,294)
	488,830	-	213,576	-	(275,254)	-	(275,254)
Total governmental activities	6,369,432	774,980	929,756	-	(4,664,696)	-	(4,664,696)
Business type activities:							
Non-instructional programs:							
Food service operations	245,491	141,481	130,129	8,075	-	34,194	34,194
	245,491	141,481	130,129	8,075	-	34,194	34,194
Total primary government	\$ 6,614,923	916,461	1,059,885	8,075	(4,664,696)	34,194	(4,630,502)

North Mahaska Community School District
Statement of Activities
Year ended June 30, 2014

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants and Contributions	Governmental Activities	Business type Activities	Total
Totals continued from previous pages	\$ 6,614,923	916,461	1,059,885	8,075	(4,664,696)	34,194	(4,630,502)
General Revenues:							
Property tax levied for:							
General purposes					2,276,343	-	2,276,343
Capital outlay					66,893	-	66,893
Statewide sales, services and use tax					648,960	-	648,960
Unrestricted state grants					2,146,383	-	2,146,383
Unrestricted investment earnings					199	1,041	1,240
Other					55,334	-	55,334
Total general revenues					5,194,112	1,041	5,195,153
Change in net position					529,416	35,235	564,651
Net position beginning of year					6,542,875	37,316	6,580,191
Net position end of year					\$ 7,072,291	72,551	7,144,842

* This amount excludes the depreciation included in the direct expenses of the various programs

See notes to financial statements.

North Mahaska Community School District
Balance Sheet
Governmental Funds
June 30, 2014

	General	Debt Service	Capital Projects	Non-major Governmental	Total
Assets					
Cash and pooled investments	\$ 997,459	-	1,037,602	346,697	2,381,758
Receivables:					
Property tax:					
Delinquent	20,108	-	629	1,316	22,053
Succeeding year	2,442,199	-	69,786	190,326	2,702,311
Accounts	51,897	-	-	-	51,897
Due from other governments	214,473	-	185,501	-	399,974
Total assets	\$ 3,726,136	-	1,293,518	538,339	5,557,993
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 97,902	-	24,779	-	122,681
Excess warrants issued over bank balance	354,745	-	-	-	354,745
Salaries and benefits payable	18,970	-	-	-	18,970
Total liabilities	471,617	-	24,779	-	496,396
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	2,442,199	-	69,786	190,326	2,702,311
Total deferred inflows of resources	2,442,199	-	69,786	190,326	2,702,311
Fund balances:					
Restricted for:					
Categorical funding	174,556	-	-	-	174,556
Management levy purposes	-	-	-	146,328	146,328
Student activities	-	-	-	201,685	201,685
School infrastructure	-	-	1,056,478	-	1,056,478
Physical plant and equipment	-	-	142,475	-	142,475
Unassigned	637,764	-	-	-	637,764
Total fund balances	812,320	-	1,198,953	348,013	2,359,286
Total liabilities, deferred inflows of resources and fund balances	\$ 3,726,136	-	1,293,518	538,339	5,557,993

See notes to financial statements.

Exhibit D

**North Mahaska Community School District
Reconciliation of the Balance Sheet
Governmental Funds to the Statement of Net Position
June 30, 2014**

Total fund balances of governmental funds (Exhibit C) **\$ 2,359,286**

***Amounts reported for governmental activities in the
Statement of Net Position are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 5,388,287

Long-term liabilities, including bonds payable, bond premiums and issuance costs, early retirement, compensated absences and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.

General obligation bonds payable	(315,000)	
GO bond premium	(3,986)	
GO bond discount	2,235	
Accrued interest	(5,723)	
Early retirement	(23,500)	
Obligations under capital lease	(206,234)	
Net OPEB liability	(112,070)	
Compensated absences	(11,004)	(675,282)

Net position of governmental activities (Exhibit A) **\$ 7,072,291**

See notes to financial statements.

Exhibit E

North Mahaska Community School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2014

	General	Debt Service	Capital Projects	Non-major Governmental Funds	Total
Revenues:					
Local sources:					
Local tax	\$ 2,136,479	-	66,893	139,864	2,343,236
Tuition	393,983	-	-	-	393,983
Other	73,048	-	2,799	359,773	435,620
Intermediate sources	10,407	-	-	-	10,407
State sources	2,881,227	-	648,986	54	3,530,267
Federal sources	185,335	-	-	-	185,335
Total revenues	5,680,479	-	718,678	499,691	6,898,848
Expenditures:					
Current:					
Instruction:					
Regular	2,549,492	-	80,016	146,087	2,775,595
Special	866,860	-	-	-	866,860
Other	366,343	-	-	337,344	703,687
	3,782,695	-	80,016	483,431	4,346,142
Support services:					
Student	102,804	-	-	-	102,804
Instructional staff	158,626	-	5,278	-	163,904
Administration	563,209	-	800	-	564,009
Operation and maintenance of plant	332,065	-	26,619	24,376	383,060
Transportation	256,639	-	43,676	-	300,315
	1,413,343	-	76,373	24,376	1,514,092
Other expenditures:					
Facilities acquisition	-	-	281,655	-	281,655
Long-term debt:					
Principal	-	198,346	-	-	198,346
Interest and fiscal charges	-	20,189	-	-	20,189
AEA flowthrough	213,576	-	-	-	213,576
	213,576	218,535	281,655	-	713,766
Total expenditures	5,409,614	218,535	438,044	507,807	6,574,000
Excess (deficiency) of revenues over (under) expenditures	270,865	(218,535)	280,634	(8,116)	324,848
Other financing sources (uses):					
Operating transfers in	-	218,535	-	-	218,535
Operating transfers (out)	-	-	(218,535)	-	(218,535)
Total other financing sources (uses)	-	218,535	(218,535)	-	-
Net change in fund balances	270,865	-	62,099	(8,116)	324,848
Fund balances beginning of year	541,455	-	1,136,854	356,129	2,034,438
Fund balances end of year	\$ 812,320	-	1,198,953	348,013	2,359,286

See notes to financial statements.

Exhibit F

North Mahaska Community School District
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds to the Statement of Activities
Year ended June 30, 2014

Net change in fund balances - total governmental funds (Exhibit E) **\$ 324,848**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Position and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 305,874	
Depreciation expense	(286,529)	19,345

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Also governmental funds report the effect of bond issuance costs and premiums, whereas these amounts are deferred and amortized in the Statement of Activities. Current year items are as follows:

Bond principal repaid	100,000	
Capital lease principal repaid	98,346	
Amortization of bond premiums	1,994	
Amortization of bond discount	(1,118)	199,222

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

2,433

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows.

Early retirement	(12,250)	
Compensated absences	2,025	
Other postemployment benefits	(6,207)	(16,432)

Change in net position of governmental activities (Exhibit B) **\$ 529,416**

See notes to financial statements.

Exhibit G

**North Mahaska Community School District
Statement of Net Position
Proprietary Fund
June 30, 2014**

	School Nutrition
Assets	
Current assets:	
Cash and cash equivalents	\$ 54,359
Inventories	6,365
Total current assets	<u>60,724</u>
Non-current assets:	
Property and equipment:	
Machinery and equipment	187,446
Accumulated depreciation	<u>(169,122)</u>
Total non-current assets	<u>18,324</u>
Total assets	<u><u>79,048</u></u>
Liabilities	
Current liabilities:	
Net OPEB liability	<u>6,497</u>
Total current liabilities	<u><u>6,497</u></u>
Net Position	
Net investment in capital assets	18,324
Unrestricted	<u>54,227</u>
Total net position	<u><u>\$ 72,551</u></u>

See notes to financial statements.

Exhibit H

North Mahaska Community School District
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
Year ended June 30, 2014

	School Nutrition
Operating revenue:	
Local sources:	
Charges for services	\$ 141,481
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	78,113
Benefits	41,191
Purchased services	214
Supplies	124,713
Depreciation	1,260
Total operating expenses	245,491
Operating loss	(104,010)
Non-operating revenue:	
Interest income	1,041
State sources	2,258
Federal sources	127,871
Total non-operating revenue	131,170
Other sources:	
Capital contributions	8,075
Change in net position	35,235
Net position beginning of year	37,316
Net position end of year	\$ 72,551

See notes to financial statements.

Exhibit I

North Mahaska Community School District
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2014

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 141,481
Cash payments to employees for services	(118,944)
Cash payments to suppliers for goods or services	(143,057)
Net cash used by operating activities	<u>(120,520)</u>
Cash flows from non-capital financing activities:	
State grants received	2,258
Federal grants received	113,408
Net cash provided by non-capital financing activities	<u>115,666</u>
Cash flows from capital ad related financing activities:	
Acquisition of capital assets	<u>(1,006)</u>
Cash flows from investing activities:	
Interest on investments	<u>1,041</u>
Net decrease in cash and cash equivalents	(4,819)
Cash and cash equivalents at beginning of year	<u>59,178</u>
Cash and cash equivalents at end of year	<u><u>\$ 54,359</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (104,010)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	14,463
Depreciation	1,260
(Increase) in inventories	(363)
(Decrease) in accounts payable	(32,230)
Increase in other postemployment benefits	360
Net cash used by operating activities	<u><u>\$ (120,520)</u></u>
Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:	
Current assets:	
Cash	\$ 54,359
Cash and cash equivalents at year end	<u><u>\$ 54,359</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2014, the District received \$14,463 of federal commodities.

During the year ended June 30, 2014, contributed capital assets from governmental funds totaled \$8,075.

See notes to financial statements.

Exhibit J

**North Mahaska Community School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014**

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Cash and pooled investments	\$ 271,365	-
Receivables:		
Accounts	5,500	4,720
Total assets	276,865	4,720
Liabilities		
Accounts payable	-	1,485
Excess warrants issued over bank balance	-	3,235
Total liabilities	-	4,720
Net position		
Reserved for scholarships	276,865	-
Total Net Position	\$ 276,865	-

See notes to financial statements.

Exhibit K

North Mahaska Community School District
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year ended June 30, 2014

	Private Purpose Trust	Scholarship
Additions:		
Local sources:		
Gifts and contributions	\$	9,118
Total revenues		9,118
Deductions:		
Instruction:		
Scholarships awarded		17,950
Total expenditures		17,950
Change in net position		(8,832)
Net position beginning of year		285,697
Net position end of year	\$	276,865

See notes to financial statements.

(1) **Summary of Significant Accounting Policies**

North Mahaska Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of New Sharon, Iowa and the predominate agricultural territory in Mahaska and Poweshiek counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, North Mahaska Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The North Mahaska Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Mahaska County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's non-fiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

General Fund: The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

Debt Service Fund: The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

Capital Projects Fund: The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The other governmental funds of the District are considered non-major and are as follows:

Special Revenue Funds: The Special Revenue Funds account for the revenue sources that are legally restricted to expenditures for specific purposes. These funds consist of the following:

Student Activity Funds: This fund accounts for transactions that occur due to student-related activities from groups and organizations such as athletic and activity events, fundraising and other extra-curricular or co-curricular activities.

Management Fund: This fund is authorized by Iowa Code Section 298.4 and accounts for transactions related to unemployment, early retirement, judgments and settlements and the cost of liability insurance as it relates to property and casualty.

The District reports the following non-major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary funds include the following:

The Private Purpose Trust Fund used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on

the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2013.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,500
Buildings	2,500
Improvements other than buildings	2,500
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-40 years
Furniture and equipment	5-20 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2014. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Deferred Inflows of Resources – Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consists of the succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures did not exceed the amounts budgeted.

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2014, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$1,890,412

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk: The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

Transfer to	Transfer from	Amount
Debt service	Capital projects	218,535
		<u>\$ 218,535</u>

North Mahaska Community School District
Notes to Financial Statements
June 30, 2014

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2014 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 95,250	-	-	95,250
Total capital assets not being depreciated	95,250	-	-	95,250
Capital assets being depreciated:				
Buildings	6,745,683	61,845	-	6,807,528
Improvements other than buildings	931,292	122,730	-	1,054,022
Furniture and equipment	1,222,293	121,299	43,691	1,299,901
Total capital assets being depreciated	8,899,268	305,874	43,691	9,161,451
Less accumulated depreciation for:				
Buildings	2,242,953	151,268	-	2,394,221
Improvements other than buildings	620,172	31,127	-	651,299
Furniture and equipment	762,451	104,134	43,691	822,894
Total accumulated depreciation	3,625,576	286,529	43,691	3,868,414
Total capital assets being depreciated, net	5,273,692	19,345	-	5,293,037
Governmental activities capital assets, net	\$ 5,368,942	19,345	-	5,388,287
Business type activities:				
Furniture and equipment	\$ 178,365	9,081	-	187,446
Less accumulated depreciation	167,862	1,260	-	169,122
Business type activities capital assets, net	\$ 10,503	7,821	-	18,324

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 28,625
Other	12,720

Support services:

Administration	264
Operation and maintenance of plant	5,552
Transportation	78,074
	125,235

Unallocated depreciation 161,294

Total governmental activities depreciation expense \$ 286,529

Business type activities:

Food services	\$ 1,260
---------------	----------

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2014 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 415,000	-	100,000	315,000	110,000
GO bonds discount	(3,353)	-	(1,118)	(2,235)	-
GO bonds premium	5,980	-	1,994	3,986	-
Early retirement	11,250	23,500	11,250	23,500	23,500
Compensated absences	13,029	11,004	13,029	11,004	11,004
Obligations under capital lease	304,581	-	98,347	206,234	101,493
Net OPEB liability	105,863	6,207	-	112,070	-
Total	\$ 852,350	40,711	223,502	669,559	245,997
Business type activities:					
Net OPEB liability	\$ 6,137	360	-	6,497	-

General Obligation Bonds

Details of the District's June 30, 2014 general obligation bonded indebtedness are as follows:

Bond Issue of April 27, 2010				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2015	2.15%	110,000	7,943	117,943
2016	2.55%	105,000	5,577	110,577
2017	2.90%	100,000	2,900	102,900
Total		\$ 315,000	16,420	331,420

Capital Lease

The District entered into a capital lease arrangement April 1, 2014 for the purchase of computer equipment for the District. The following is a schedule of the future minimum payments required under the lease together with their present value as of June 30, 2014.

Year ending June 30,	Apple Computer, Inc Capital Lease
2015	108,093
2016	108,093
Total minimum lease payments	216,186
Less amount representing interest	9,952
Present value of minimum lease payments	\$ 206,234

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$299,030, \$281,292, and \$251,610, respectively, equal to the required contributions for each year.

(7) Other Post-Employment Benefits (OPEB)

Plan Description - The District operates a retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 65 active and 8 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is purchased through an outside provider. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 85,000
Interest on net OPEB obligation	5,040
Adjustment to annual required contribution	(4,473)
Annual OPEB cost	85,567
Contributions made	(79,000)
Increase in net OPEB obligation	6,567
Net OPEB obligation beginning of year	112,000
Net OPEB obligation end of year	\$ 118,567

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the District contributed \$79,000 to the medical plan. Plan members eligible for benefits were not required to contribute.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2014 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 83,000	56.63%	\$ 36,000
June 30, 2011	83,274	56.44%	72,274
June 30, 2012	83,549	63.44%	102,823
June 30, 2013	86,000	89.33%	112,000
June 30, 2014	85,567	92.33%	118,567

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$651,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$651,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,300,000, and the ratio of the UAAL to covered payroll was 19.7%. As of June 30, 2014, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumption includes a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2011 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2011.

The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$213,576 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27*. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

Required Supplementary Information

North Mahaska Community School District
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances
Budget and Actual - All Governmental Funds and Proprietary Funds
Required Supplementary Information
Year ended June 30, 2014

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Actual Variance- Positive (Negative)
				Original	Final	
Revenues:						
Local sources	\$ 3,172,839	142,522	3,315,361	3,847,854	3,847,854	(532,493)
Intermediate sources	10,407	-	10,407	8,000	8,000	2,407
State sources	3,530,267	2,258	3,532,525	2,892,528	2,892,528	639,997
Federal sources	185,335	127,871	313,206	310,000	310,000	3,206
Total revenues	6,898,848	272,651	7,171,499	7,058,382	7,058,382	113,117
Expenditures:						
Instruction	4,346,142	-	4,346,142	4,573,000	5,000,000	653,858
Support services	1,514,092	-	1,514,092	2,509,671	2,509,671	995,579
Non-instructional programs	-	245,491	245,491	318,000	318,000	72,509
Other expenditures	713,766	-	713,766	1,053,716	1,053,716	339,950
Total expenditures	6,574,000	245,491	6,819,491	8,454,387	8,881,387	2,061,896
Excess of revenues over expenditures	324,848	27,160	352,008	(1,396,005)	(1,823,005)	2,175,013
Other financing sources, net	-	8,075	8,075	-	-	8,075
Excess of revenues and other financing sources over expenditures	324,848	35,235	360,083	(1,396,005)	(1,823,005)	2,183,088
Balances beginning of year	2,034,438	37,316	2,071,754	2,198,726	2,198,726	(126,972)
Balances end of year	\$ 2,359,286	72,551	2,431,837	802,721	375,721	2,056,116

See accompanying independent auditor's report.

(1) Basis of Presentation

The District operates within the budget requirements for school districts as specified by state law and as prescribed by the Iowa Department of Management. Budgets are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

For the fiscal year beginning July 1, a proposed budget is adopted by the Board and filed with the County Auditor no later than April 15. The budget is certified by the County Auditor to the Department of Management.

Once adopted, the budget can be amended by the Board. The amendment must be published and a public hearing conducted prior to the amendment. Any amendments must be certified to the County Auditor no later than May 31. The proposed expenditure budget is advertised in the local newspaper, together with a notice of public hearing.

The legal level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is the functional area for a budgeted governmental, enterprise and private purpose trust funds in total, rather than by individual fund type. Formal and legal budgetary control is based on four major classes of expenditures known as functional areas. These four functional areas are instruction, support services, non-instructional programs and other expenditures. During the year ended June 30, 2014, expenditures did not exceed the amounts budgeted. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. Authorized expenditures cannot exceed the lesser of the certified budget plus any allowable amendments, or the authorized budget, which is the sum of the District's cost for that year plus the actual miscellaneous income received for that year plus the actual unspent balance from the preceding year. Appropriations, as adopted and amended, lapse at the end of the fiscal year.

The District is required by the Code of Iowa to budget for its share of media, education services and special education support provided through the local area education agency. The District's actual amount for this purpose totaled \$213,576 for the year ended June 30, 2014.

North Mahaska Community School District
Schedule of Funding Progress for the Retiree Health Plan
Required Supplementary Information
Year ended June 30, 2014

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2011	July 1, 2009	-	615,000	615,000	0.0%	3,200,000	19.2%
2012	July 1, 2009	-	615,000	615,000	0.0%	3,200,000	19.2%
2013	July 1, 2012	-	651,000	651,000	0.0%	3,200,000	20.3%
2014	July 1, 2012	-	651,000	651,000	0.0%	3,300,000	19.7%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress

See accompanying independent auditor's report.

Supplementary Information

Schedule 1

North Mahaska Community School District
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2014

	Special Revenue Funds		
	Management Levy	Student Activity	Total
Assets			
Cash and pooled investments	\$ 145,012	201,685	346,697
Receivables:			
Property tax:			
Delinquent	1,316	-	1,316
Succeeding year	190,326	-	190,326
Total assets	\$ 336,654	201,685	538,339
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
	\$ -	-	-
Total liabilities	-	-	-
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	190,326	-	190,326
Total deferred inflows of resources	190,326	-	190,326
Fund balances:			
Restricted for:			
Management levy purposes	146,328	-	146,328
Student activities	-	201,685	201,685
Total fund balances	146,328	201,685	348,013
Total liabilities, deferred inflows of resources and fund balances	\$ 336,654	201,685	538,339

See accompanying independent auditor's report.

Schedule 2

North Mahaska Community School District
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
Year ended June 30, 2014

	Special Revenue Funds		
	Management Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 139,864	-	139,864
Other	4,978	354,795	359,773
State sources	54	-	54
Total revenues	144,896	354,795	499,691
Expenditures:			
Current:			
Instruction:			
Regular	146,087	-	146,087
Other	-	337,344	337,344
Support Services:			
Operation and maintenance of plant	24,376	-	24,376
Total expenditures	170,463	337,344	507,807
Excess (deficiency) of revenues over (under) expenditures	(25,567)	17,451	(8,116)
Fund balance beginning of year	171,895	184,234	356,129
Fund balance end of year	\$ 146,328	201,685	348,013

See accompanying independent auditor's report.

Schedule 3

North Mahaska Community School District
Schedule of Changes in Special Revenue Funds, Student Activity Accounts
Year ended June 30, 2014

Account	Balance Beginning of Year	Revenues and Interfund Transfers	Expenditures	Balance End of Year
Sports Physicals	\$ 3,076	-	1,537	1,539
Drama - Plays	1,281	-	-	1,281
School Musical	832	2,348	792	2,388
Speech	995	564	504	1,055
Music Resale	3,235	962	3,760	437
Band Uniform	928	731	679	980
Vocal	2,182	1,144	612	2,714
Flags	92	-	-	92
Instrumental	48	1,542	1,344	246
Pop	5,829	2,172	1,205	6,796
District Football	692	-	170	522
Change	376	-	376	-
Athletic Resale	1,335	845	-	2,180
FB Cheerleaders	66	1,230	1,081	215
Baseball Concessions	4,651	6,293	4,788	6,156
Softball Concessions	2,570	8,862	5,845	5,587
BB Cheerleaders	153	293	446	-
Athletic Misc	22,075	23,011	29,289	15,797
WR Cheerleaders	462	-	-	462
Softball	1,286	-	90	1,196
Dance Team	1,605	3,230	3,938	897
Boys Basketball	-	4,638	4,638	-
Boys Basketball - Coach	1,309	720	770	1,259
Football - Coach	913	895	1,313	495
Football	-	11,184	11,094	90
Baseball	-	7,005	7,005	-
Boys Track	-	2,414	2,414	-
Boys Track - Coach	940	100	96	944
Boys Golf	-	1,382	1,382	-
G/B Golf - Coach	264	610	874	-
Wrestling	-	1,916	1,916	-
Girls Basketball	-	9,369	9,369	-
Girls Volleyball	-	5,009	5,009	-
Volleyball - Coach	934	894	755	1,073
Girls Basketball - Coach	241	1,395	840	796
Softball	-	6,589	6,589	-
Girls Track	-	2,448	2,423	25
Girls Track - Coach	1,038	265	836	467
Music Boosters	4,876	7,887	4,164	8,599
Athletic Boosters	17,205	33,746	35,573	15,378
Mat Club	4,915	8,352	4,534	8,733
High School Fundraiser	1,385	396	562	1,219
Elementary Fundraiser	-	2,547	1,057	1,490
Interest	1,948	67	591	1,424
Prom Party	600	16,363	16,040	923
Annual	2,525	15,710	15,804	2,431
National Honor Society	111	751	862	-
Spanish Club - Trip	644	-	644	-
Senior Class Trip	469	881	702	648

Schedule 3

North Mahaska Community School District
Schedule of Changes in Special Revenue Funds, Student Activity Accounts
Year ended June 30, 2014

Account	Balance Beginning of Year	Revenues and Interfund Transfers	Expenditures	Balance End of Year
Washington DC Trip	950	-	-	950
Student Health	95	600	353	342
Student Government	500	-	500	-
FFA - Carleton Meinders Memorial	25	-	25	-
FFA	-	22,222	22,222	-
FFA Foundation - Scholarship	1,740	3,394	1,400	3,734
FFA - Farm	19,723	17,276	9,576	27,423
Greenhouse	-	2,535	768	1,767
Band Miscellaneous	2,551	752	3,186	117
Archery Club	2,280	4,357	5,259	1,378
Band Fundraiser	910	2,606	1,082	2,434
Champion Sign	25	479	479	25
School Fund - Concessions	18,113	27,016	17,389	27,740
Student Council	288	532	820	-
Class of 2013	410	-	410	-
Elementary Miscellaneous	21,231	21,391	22,612	20,010
Class of 2014	4,866	20,983	25,849	-
Rocket Team	-	974	974	-
Class of 2015	781	11,719	9,986	2,514
Class of 2016	465	759	722	502
Class of 2017	585	934	661	858
Class of 2018	190	195	-	385
Class of 2019	-	130	-	130
NM Clay Target Shooters	9,223	18,424	18,002	9,645
Warhawk Laser Art	-	757	757	-
TJ Goemaat Memorial	5,197	-	-	5,197
Totals	\$ 184,234	354,795	337,344	201,685

See accompanying independent auditor's report.

Schedule 4

North Mahaska Community School District
Combining Balance Sheet
Capital Project Accounts
June 30, 2014

		Capital Projects		
		Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets				
Cash and pooled investments		\$ 894,736	142,866	1,037,602
Receivables:				
Property tax:				
Delinquent		-	629	629
Succeeding year		-	69,786	69,786
Due from other governments		185,501	-	185,501
Total assets		\$ 1,080,237	213,281	1,293,518
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable		\$ 23,759	1,020	24,779
Total liabilities		23,759	1,020	24,779
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax		-	69,786	69,786
Total deferred inflows of resources		-	69,786	69,786
Fund balances:				
Restricted for:				
School infrastructure		1,056,478	-	1,056,478
Physical plant and equipment		-	142,475	142,475
Total fund balances		1,056,478	142,475	1,198,953
Total liabilities, deferred inflows of resources and fund balances		\$ 1,080,237	213,281	1,293,518

See accompanying independent auditor's report.

Schedule 5

North Mahaska Community School District
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Capital Project Accounts
Year ended June 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	66,893	66,893
Other	2,793	6	2,799
State sources	648,960	26	648,986
Total revenues	651,753	66,925	718,678
Expenditures:			
Instruction:			
Regular	80,016	-	80,016
Support Services:			
Instructional staff	5,278	-	5,278
Administration	800	-	800
Operation and maintenance of plant	3,341	23,278	26,619
Transportation	43,676	-	43,676
Other Expenditures			
Facilities acquisition	281,655	-	281,655
Total expenditures	414,766	23,278	438,044
Excess of revenues over expenditures	236,987	43,647	280,634
Other financing (uses):			
Operating transfers (out)	(218,535)	-	(218,535)
Total other financing (uses)	(218,535)	-	(218,535)
Change in fund balances	18,452	43,647	62,099
Fund balances beginning of year	1,038,026	98,828	1,136,854
Fund balances end of year	\$ 1,056,478	142,475	1,198,953

See accompanying independent auditor's report.

Schedule 6

North Mahaska Community School District
Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds
Year ended June 30, 2014

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Receivables less excess warrants	\$ 3,608	31,675	33,798	1,485
Total assets	\$ 3,608	31,675	33,798	1,485
Liabilities				
Accounts payable	\$ 3,608	31,675	33,798	1,485
Total liabilities	\$ 3,608	31,675	33,798	1,485

See accompanying independent auditor's report.

North Mahaska Community School District
Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds
For the Last Ten Years

	Modified Accrual Basis									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	\$ 2,343,236	2,980,589	2,971,818	2,996,000	2,616,631	2,401,710	2,307,783	2,289,190	2,185,988	2,246,991
Tuition	393,983	347,465	269,185	266,605	214,043	218,320	244,659	250,820	236,039	152,012
Other	435,620	433,058	502,345	544,431	439,368	725,426	394,722	422,997	360,951	334,615
Intermediate sources	10,407	9,150	8,000	7,378	7,201	-	-	-	-	-
State sources	3,530,267	2,622,728	2,682,001	2,504,761	2,257,816	2,575,799	2,621,155	2,487,339	2,306,029	2,136,469
Federal sources	185,335	155,229	257,872	265,400	462,984	193,662	156,835	157,417	169,241	182,276
Total	<u>\$ 6,898,848</u>	<u>6,548,219</u>	<u>6,691,221</u>	<u>6,584,575</u>	<u>5,998,043</u>	<u>6,114,917</u>	<u>5,725,154</u>	<u>5,607,763</u>	<u>5,258,248</u>	<u>5,052,363</u>
Expenditures:										
Instruction:										
Regular	\$ 2,775,595	2,745,123	2,951,172	2,566,141	2,556,376	2,537,679	3,351,499	3,145,711	3,066,755	3,017,607
Special	866,860	830,164	660,994	631,048	644,938	632,572	N/A	N/A	N/A	N/A
Other	703,687	631,779	724,046	667,494	631,619	590,060	N/A	N/A	N/A	N/A
Support services:										
Student	102,804	99,050	82,743	71,253	69,710	82,166	127,220	113,123	106,464	105,674
Instructional staff	163,904	292,794	298,369	275,325	200,754	207,076	214,305	190,871	144,781	45,525
Administration	564,009	593,395	614,968	557,737	543,325	526,528	504,869	515,313	476,634	435,102
Operation and maintenance of plant	383,060	459,133	391,346	373,717	382,440	397,334	329,219	333,837	382,664	313,864
Transportation	300,315	305,646	436,489	346,421	266,134	316,929	324,807	259,081	245,324	254,032
Non-instructional programs	-	5,850	5,000	5,000	8,115	4,500	4,500	4,500	4,000	6,575
Other expenditures:										
Facilities acquisition	281,655	119,337	182,205	75,257	49,994	814,603	100,541	84,957	350,575	104,947
Long-term debt:										
Principal	198,346	206,097	365,000	365,000	330,000	320,000	305,000	295,000	285,000	285,000
Interest and other charges	20,189	19,538	19,843	27,389	98,007	82,764	95,375	106,873	117,012	126,498
AEA flowthrough	213,576	197,639	197,409	216,272	213,983	200,559	188,083	176,431	162,157	153,340
Total	<u>\$ 6,574,000</u>	<u>6,505,545</u>	<u>6,929,584</u>	<u>6,178,054</u>	<u>5,995,395</u>	<u>6,712,770</u>	<u>5,545,418</u>	<u>5,225,697</u>	<u>5,341,366</u>	<u>4,848,164</u>

See accompanying independent auditor's report.



705 Main Street
Pella, IA 50219
Ph.: 641-628-3737
Fax: 641-628-3757

www.vanmaanencpa.com

Van Maanen, Sietstra, Meyer & Nikkel, PC
CERTIFIED PUBLIC ACCOUNTANTS

**Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

To the Board of Education of North Mahaska Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the North Mahaska Community School District, New Sharon, Iowa, as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 19, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered North Mahaska Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of North Mahaska Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of North Mahaska Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item (A) to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether North Mahaska Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters which are described in Part II of the Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

North Mahaska Community School District's Responses to Findings

North Mahaska Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. North Mahaska Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of the testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of North Mahaska Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Van Maanen, Sietstra, Meyer & Nikkel PC

Van Maanen, Sietstra & Meyer, PC
Certified Public Accountants

December 19, 2014

Part I: Findings Related to the Financial Statements:
INTERNAL CONTROL DEFICIENCY:

- A Segregation of Duties – The limited number of office personnel prevents a proper segregation of accounting functions necessary to assure adequate internal control. This is not unusual in Districts of your size, but the Board should constantly be aware of this condition and realize that concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. Under these conditions, the most effective controls lie in the Board's knowledge of matters relating to the District's operations.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response - We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters noted.

Part II: Other Findings Related to Required Statutory Reporting:

- 1 Certified Budget - Expenditures for the year ended June 30, 2014, did not exceed the certified budget amounts.
- 2 Questionable Expenditures - No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- 3 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- 4 Business Transactions – No business transactions between the District and District officials or employees were noted.
- 5 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.
- 6 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.
- 7 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- 8 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- 9 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy were noted.
- 10 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.
- 11 Categorical Funding – No instances were noted of categorical funding used to supplant rather than supplement other funds.

North Mahaska Community School District
Schedule of Findings
Year Ended June 30, 2014

- 12 Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	1,038,026
Revenues/transfers in:			
Sales tax revenues	\$	648,960	
Other local revenues		2,793	651,753
			<u>1,689,779</u>
Expenditures/transfers out:			
Equipment		414,766	
Transfers to other funds:			
Debt service fund		218,535	633,301
			<u>852,301</u>
Ending balance		\$	<u>1,056,478</u>

For the year ended June 30, 2014, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
Debt service levy	\$ 0.54000	110,443